**TENNESSEE GENERAL ASSEMBLY**
**FISCAL REVIEW COMMITTEE**

# FISCAL NOTE

## SB 136 – HB 432

February 24, 2015

**SUMMARY OF BILL:** Requires the Department of Economic and Community Development (ECD) to award an annual grant of $35,000 for a period of four years to a regional economic or industrial development authority that serves an eligible county, for the purpose of assisting a manufacturing facility with job training assistance and economic development activities. Defines an eligible county as a county that, prior to July 1, 2014, was designated by ECD as a tier two or tier three enhancement county for purposes of jobs tax credits, and, on or after July 1, 2014, is re-designated by ECD as a tier one or tier two enhancement county, respectively. Authorizes the grant to be awarded only if, after January 1, 2014, and prior to January 1, 2018, a manufacturing facility is placed in service within the eligible county with a capital investment of at least $2,500,000, and if such business would have otherwise been entitled to an additional annual job tax credit, had the eligible county not been re-designated to a higher tier. Requires at least 60 qualified jobs to be created at the facility within 24 months following the beginning of production to maintain eligibility during the grant period. Prohibits ECD from allocating grant funds in any fiscal year in which the eligible county is re-designated from a higher tier to a lower tier.

## ESTIMATED FISCAL IMPACT:

**Increase State Expenditures – $70,000/FY15-16**
**$140,000/FY16-17**
**$210,000/FY17-18**
**$210,000/FY18-19**
**$140,000/FY19-20**
**$70,000/FY20-21**

Assumptions:

- ECD reports that four counties would qualify as eligible under the criteria established by the proposed legislation: Trousdale, Tipton, Madison and Bradley.
- From 2011 through 2014, 10 manufacturing establishments made a capital investment of at least $2,500,000 and created at least 60 qualified jobs in the four affected counties. Three of such manufacturing establishments were placed in service after January 1, 2014, but before July 1, 2014, when the tier designation for the listed counties changed. Therefore, it is estimated that such establishments qualified for the additional annual job tax credits under current law, and as a result will not receive the $35,000 grant.
- In each year 2015 through 2017, there will be two new manufacturing establishments that will qualify and receive the grant for a period of four years.

- The first year of impact will be FY15-16; since manufacturing facilities must be placed in service prior to January 1, 2018, and assuming that such facilities will receive their first award in FY17-18, the last year of impact will be FY20-21.
- The total number of establishments that will receive the $35,000 grants will be: 2 in FY15-16, 4 in FY16-17, 6 in FY17-18, 6 in FY18-19, 4 in FY19-20, and 2 in FY20-21.
- Grant funds will be paid from the newly-created ROI grant fund; however, the ROI grant fund will require appropriations from the General Fund to effectuate the purposes of this bill. As a result, any estimated increases in state expenditures will be from the General Fund.
- The increase in state expenditures is estimated to be: $70,000 in FY15-16 (2 x $35,000), $140,000 in FY16-17 (4 x $35,000), $210,000 in FY17-18 (6 x $35,000), $210,000 in FY18-19 (6 x $35,000), $140,000 in FY19-20 (4 x $35,000), and $70,000 in FY20-21 (2 x $35,000).

## IMPACT TO COMMERCE:

**Increase Business Revenue – $70,000/FY15-16**
**$140,000/FY16-17**
**$210,000/FY17-18**
**$210,000/FY18-19**
**$140,000/FY19-20**
**$70,000/FY20-21**

**Jobs Impact – Not Significant**

Assumptions:

- Each manufacturing facility that will qualify and receive the grant would be placed in service in eligible counties in the absence of the proposed legislation.
- Any increase in the number of jobs as a result of the additional grant received is estimated to be not significant.

## CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Jeffrey L. Spalding, Executive Director

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